



Montana Board of Housing

"Where we love is home - home that our feet may leave,  
but not our hearts."

*Oliver Wendell Holmes, Sr.*



Further information on our programs  
may be obtained by writing:

Montana Board of Housing  
301 South Park Avenue, Room 240  
P.O. Box 200528  
Helena, Montana 59620-0528  
or by telephone (406) 841-2840

<http://housing.mt.gov>

We make every effort to ensure our documents  
are fully accessible to persons with disabilities.  
Alternative accessible formats of this document will be provided upon request.  
Please contact the Montana Department of Commerce  
at (406) 841-2840 or TDD (406) 841-2702

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## Mission

### *Partners for Attainable Housing*

### *We Reach Our Mission*

By issuing tax-exempt bonds, administering federal housing programs and working in partnership with many other housing providers throughout Montana.

### *Culture Statement*

We deliver affordable housing by:

- Listening to ideas
- Exploring options, and
- Embracing change

Through respect, trust and teamwork.

### *Our Partners*

#### Private Enterprise

FANNIE MAE

Brokers sell bonds issued by the MBOH

Lenders and realtors match homebuyers with MBOH financing

Banks and real estate lenders originate loans for the MBOH

Builders construct homes for Montanans with MBOH financing

Developers and contractors build multifamily complexes

**Nonprofit Housing Organizations** that target special populations, provide homeownership training and assist with down payment and closing costs.

AWARE Inc.

Bear Paw Development

Elkhorn Affordable Housing Corp.

Glacier Affordable Housing Foundation

Habitat for Humanity

homeWORD

Human Resource Councils

Montana Home Choice Coalition

Montana HomeOwnership Network, Inc.

Neighborhood Housing Services

Western Montana Mental Health Center

North Missoula Community Development Corp.

#### Governmental Entities

Department of Veterans Affairs (VA)

Federal Housing Administration (FHA)

Internal Revenue Service (IRS) - provides authority for bond issuance and allocation of tax credits

Montana cities (Billings, Bozeman, Bridger, Butte, Glendive,

Great Falls, Havre, Helena, Kalispell, Laurel, Lewistown,

Livingston, Miles City, Missoula, Ronan, Shelby, Terry)

Montana counties (Lake, Missoula, Ravalli, Richland, Silver Bow)

Montana public housing authorities

Montana tribal housing organizations

U.S. Department of Agriculture Rural Development (USDA/RD)

U.S. Department of Housing and Urban Development (HUD)

### *Our Funding*

The Montana Board of Housing (MBOH) was created by the Montana Housing Act of 1975. It is an agency of the state and operates within the Department of Commerce for administrative purposes.

Under the Housing Act, the MBOH does not receive state or federal tax dollars or appropriations from the state's general fund. The MBOH is completely self-supporting. Substantially all of the funds for MBOH operations and programs are provided by the private sector through the sale of tax-exempt bonds.

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Equal Opportunity Lender







# *Message*

*from the Governor*

*D*ear Friends:

Safe, decent and affordable housing is fundamental for a healthy life, a vibrant community and a robust economy.

The Montana Board of Housing (MBOH) has worked hard for nearly 30 years to provide low-cost, flexible financing, which currently provides housing for nearly 45,000 Montana families. First-time homebuyers, single parents, senior citizens and those with disabilities and special needs have all benefited from the housing programs provided by the MBOH.

Besides the psychological benefits of a place to call home, the MBOH housing programs have boosted the state's economy. In 2006, MBOH invested \$180 million in housing for over 1,700 Montana families by financing home loans and allocating tax credits to developers. Their efforts in 2006 also created nearly 3,800 jobs for our citizens.

MBOH personnel are the first to confirm that their partnerships with private enterprise, nonprofit housing organizations and governmental entities make housing programs work so well. In 2006, these successful partnerships have helped leverage nearly \$230 million to benefit our great state.

I am proud to recognize the MBOH as a cornerstone of economic development for Montana, since access to affordable housing is a key issue considered by many businesses looking at expansion or relocation to Montana.

The MBOH's hard work over the last year has done exactly what the legislators envisioned decades ago. It created jobs, stabilized our families and enriched our communities. The MBOH has helped make Montana a great place to live, work, and raise our children. Looking into the future, the MBOH faces an ever-increasing challenge in providing affordable housing as housing costs escalate across the state. Keeping housing affordable for the future will require all of our best efforts.

*Governor Brian Schweitzer*







# *Message*

*from the Chairman and Executive Director*

*W*e are pleased to present the annual report and financial statements of the Montana Board of Housing for fiscal year 2006.

We have traveled the State of Montana visiting Missoula, Libby, Red Lodge, Bozeman, Hardin, and Havre. The constant message we hear at our meetings is that housing is a critical issue all across our state. Whether it is the shortage of housing in eastern Montana due to the increasing energy expansion or the sky rocketing costs in western Montana due to land and development, housing is an ongoing need for all communities.

The Montana Board of Housing (MBOH) is an important resource that helped create safe and affordable housing for over 45,000 Montana families since its inception in 1975. During that time, MBOH has allocated more than \$2.6 billion to finance homes that would otherwise not be built or be affordable. It is a profound record of accomplishment that has yielded benefits for the entire state.

When affordable housing is built, local communities thrive with safer, cleaner neighborhoods. Towns and cities prosper with increased real estate tax revenues and more employment. In fiscal year 2006, the MBOH put over \$229 million into the state's economy that created over 3,800 jobs and generated total taxes of nearly \$22 million.

It is clear that our impact on cities, towns and the State of Montana is far-reaching. What is even more important is the impact of our programs on the child who will now grow up in a safe and decent home, the elderly Montanan who can continue to live in a cherished family residence, and Montana's working families who can finally afford to buy their first homes.

Our statewide partnerships with public, private and nonprofit groups have been instrumental to our success. Our partners share our strong commitment to affordable housing and create excellent public access to our housing programs. Together, we have provided competitive, affordable housing financing to nearly every city, town and county in Montana.

Thank you for the opportunity to be of service in 2006. We look forward to a successful 2007.

*Chairman Bob Thomas*  
*Executive Director Bruce Brensdal*





Bob Thomas  
*Chairman*



Bruce Brensdal  
*Executive Director*





# Board of Directors

The seven-member board of directors is appointed by the governor and subject to confirmation by the state Senate. The terms of the majority of the board members coincide with the four-year term of the governor. The remaining board members serve four-year terms that expire in the middle of the governor's term. The board members elect officers. Each board member serves until a successor is appointed and confirmed by the state Senate.

The board of directors provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates Montana Board of Housing programs. The commitment of time and energy by board members has resulted in an improved quality of life for thousands of Montana citizens. The leadership of the board is vital to the MBOH's ability to meet Montana's housing needs.

In fiscal year 2006, the board provided over \$156 million in mortgage financing to help 1,500 families obtain the dream of homeownership. The board also allocated \$2.190 million in low income housing tax credits, which generated \$32 million in project dollars for 202 units of rental housing.

**Chairman Bob Thomas** is a retired insurance agency owner from Stevensville, Montana, and a graduate of the University of Montana. Chairman Thomas currently works with the Childhood Language Disorder Clinic at the University of Montana. He was appointed to the board in 1991 and served as its chairman since 1993.

**Vice Chairman Judy Glendenning** has worked as a realtor since 1978. She currently works as a broker with Century 21 Heritage Realty in Helena. Ms. Glendenning, a Montana native, is active on local and state realtor boards. Ms. Glendenning has served on the board since 2003.

**Secretary J.P. Crowley** graduated from Montana State University and manages 41 apartment units in Helena. He serves on several nonprofit boards and formerly worked for U.S. Senator Max Baucus. He is married and is a stay-at-home dad to his two young children. Mr. Crowley has served on the board since 2005.

**Audrey Black Eagle** is the executive director of the Apsaalooke Nation Housing Authority in Lodge Grass and has been actively involved in housing for 11 years.

Ms. Black Eagle is married to Cedric Black Eagle, the Tribal Vice Chairman. She has served on the board since 2005.

**Susan Moyer** is the community development director for the city of Kalispell. She has spent her 28-year career with the city addressing affordable and adequate housing issues through renovation or new construction projects. Ms. Moyer has served on the board since 2003.

**Jeff Rupp** is the CEO/President of the Human Resource Development Council of District IX in Bozeman. He is a Montana native who has devoted over 25 years of his career to improving the lives of Montana families through community and economic development and social service programs. Mr. Rupp has served on the board since 2005.

**Elizabeth (Betsy) Scanlin** is a Red Lodge attorney and city councilwoman. She is active in historic preservation, performance and fine arts, and local, state and national politics. Ms. Scanlin has worked on local and state growth and housing issues for over a decade. Ms. Scanlin has served on the board since 2005.



## Board Members

*Standing (left to right)*

*Susan Moyer*

*Pat Melby, General Counsel*

*J.P. Crowley*

*Elizabeth Scanlin*

*Jeff Rupp*

*Seated (left to right)*

*Judy Glendenning*

*Bob Thomas*

*Bruce Brensdal, Executive Dir.*







# Staff

## Executive

(Back)

Julia Hall

Anastasia Burton

Diana Hall

(Front)

Bruce Brensdal

## Executive



## Homeownership Program

(Back)

Doug Jensen

Jeannene Maas

Julie Hope

Charles Brown

(Front)

Kellie Lynch

Nancy Leifer

## Multifamily Program

(Back)

Mary Bair

Justin Schedel

Penny Cope

(Front)

Mathew Rude

Gerald Watne

## Homeownership Program



## Accounting

(Back)

Joice Franzen

Charles Nemec

Christine Bullman

(Front)

Becky Anseth

Vicki Bauer



*Multifamily Program*



*Accounting*





# *Legal & Professional Services*

## Board General Counsel

Luxan and Murfitt  
*Helena, Montana*

## Independent Auditor

Legislative Audit Division  
*Helena, Montana*

## Board Bond Counsel

Kutak Rock  
*Omaha, Nebraska*

## Investment Banking Team

UBS Investment Bank  
*San Francisco, California*

D. A. Davidson & Co.  
*Great Falls, Montana*

Merrill Lynch & Co.  
*New York, New York*

RBC Capital Markets  
*Minneapolis, Minnesota*

Piper Jaffray & Co.  
*Minneapolis, Minnesota*

## Trustees

U.S. Bank  
Wells Fargo Bank



*(Left to right)*

John Wagner, Bond Counsel

Pat Melby, General Counsel

Peter Nolden, Senior Underwriter

Sandy Shupe, Trustee

*Board Finance Team*







# *Homeownership Program*

*(formerly the Single-Family Revenue Bond Program)*

*Affordable Mortgages for Montana's Homebuyers*

The Montana Homeownership Program helped 1,500 Montana families realize the dream of homeownership by providing \$156 million in financing in fiscal year 2006. Since 1977, the Montana Homeownership Program has helped over 38,000 Montana families become homeowners.

The home financing program is exclusively supported from the sale of tax-exempt mortgage revenue bonds issued periodically by the board. The tax-exempt status allows the agency to pass on the interest savings to lower income Montana families in the form of low-interest home loans and mortgage credits.

Homeownership Programs at the Montana Board of Housing include:

- The Bond Program, which provides below market, low or no down payment, fixed rate mortgages to qualified first-time homebuyers.
- The Mortgage Credit Certificate Program, which helps qualified first-time homebuyers reduce their federal income taxes. In fiscal year 2006, 16 families were able to obtain homeownership with \$1.9 million in financing from this program.
- Many Set-aside Programs, which help Montana families who can't qualify for loans through the Bond Program. In fiscal year 2006, 333 families in 53 communities benefited from \$28.5 million in home financing through these programs. Since 1986, 4,291 families have achieved homeownership with \$221 million in set-aside/recycled funds from these programs.
- The Montana House is a special collaboration between the Montana Board of Housing, the Job Corps, the United Brotherhood of Carpenters and Joiners of America, and the Painters & Allied Trades International Union. By working together, the collaboration produces 4 homes a year that cost between \$35,000 and \$45,000 depending upon bedrooms. The homes are available for purchase by homebuyers making less than 80% of the area median income. Additional cost for the home includes moving to a location in Montana, foundation, appliances, floor coverings, utility installation, and land. In addition to providing affordable homes, this program helps train young people in the building trades.

*More detailed information about the Mortgage Credit Certificate Program and the MBOH Set-aside Programs can be found on the attached disk.*









# Multifamily Program

## *Creative Financing Options for Developers of Affordable Housing*

The Multifamily Program provides several financing options to help sponsors and developers produce affordable housing for Montana residents.

### Low Income Housing Tax Credits

Low Income Housing Tax Credits provide for the retention, rehabilitation and construction of low-income rental housing. Through tax credits, which are administered by the Multifamily Program, developers and owners of qualified housing projects receive an annual federal tax credit for 10 years. The eligible costs associated with building the projects for low-income Montana families determine the tax credit allocations.

Since the inception of the program in 1987, tax credits have been used in the rehabilitation and production of 4,759 low-income housing units in 168 separate Montana projects. The total construction costs of the 168 projects were nearly \$332 million.

In fiscal year 2006, \$2.190 million in tax credits were allocated to assist in the development of six projects containing 202 low-income housing units. Total development costs of the projects are projected to be over \$32 million.

### Revolving Loan Account

The Revolving Loan Account (RLA) was created by the Legislature to provide funding for projects that typically need that last, small piece of financing to make them feasible. A component of the RLA, the Temporary Assistance to Needy Families Program served 14 families in seven Montana communities by providing \$200,100 in financing to buy homes in 2006.

### Other Multifamily Programs

#### General Obligation Loan Program

The General Obligation (GO) Loan Program is a source of permanent mortgage financing for affordable rental housing that is identical to the Risk Share Loan Program (RSL) mentioned below with one exception, there is no mortgage insurance requirement. GO loans are typically available to smaller, multifamily projects that receive multiple sources of funding through other programs.

#### Risk Share Loan Program

Under this program, the U. S. Department of Housing and Urban Development (HUD) provides mortgage insurance for multifamily housing projects that have loans underwritten, processed and funded by the MBOH. HUD and the MBOH share the risk of the mortgage.

#### Conduit Bond Program

This newly started program offers applicants the ability to issue bonds through other qualified entities and receive 4% tax credits similar to the Low Income Housing Tax Credits (LIHTC) listed above but not subject to an annual allocation. One project closed in 2005 and two others were given the go ahead by the Board. The projects are subject to all compliance requirements the same as the LIHTC program.

#### Elderly Assistance Program

##### Reverse Annuity Loan Program (RAM)

The Elderly Assistance Program offers reverse annuity mortgages (RAMs) to eligible senior Montanans. The RAMs, which are 10-year loans, let the eligible seniors convert the equity in their homes into cash - all while retaining homeownership.

RAMs work much like traditional mortgages, only in reverse. Rather than making a payment to a lender each month, the lender (MBOH in this case) pays the eligible participant. Unlike conventional home equity loans, a RAM from the MBOH does not require any repayment of principal or interest for as long as the participant lives in the home.

*More detailed information about the Multifamily Program can be found on the attached disk.*







## *Accounting and Reporting*

*T*he accounting and reporting personnel at the Montana Board of Housing manage approximately 10,000 mortgages totaling over \$724 million. This includes reconciling all mortgages on a monthly basis from reports received from 38 contracted loan servicers.

In fiscal year 2006, the staff also accounted for \$142 million in mortgage loan collections. The staff accounts for principal and interest on bonds payable for approximately \$796 million in 26 bond issues. In addition, the staff processed \$106 million in bond calls and maturities and accounted for approximately \$1 billion of investment purchases, sales and maturities.







## *Statement of Revenues, Expenses and Changes in Fund Balances*

These condensed financial statements are based on audited financial statements. Complete audited financial statements are available in the accompanying disk, at our Web site at [www.housing.mt.gov](http://www.housing.mt.gov) or upon request.

### MONTANA BOARD OF HOUSING A COMPONENT UNIT OF THE STATE OF MONTANA STATEMENT OF NET ASSETS AS OF JUNE 30, 2006 AND 2005

	FY 2006	FY 2005
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 7,870,436	\$ 5,771,588
Investments	177,112,947	187,407,778
Mortgage Loans Receivable	13,191,347	11,957,430
Interest Receivable	4,677,039	4,519,714
Due from Primary Government	7,328	5,237
Due from Other Governments	-	32,639
Security Lending Collateral	41,972	
Prepaid Expense	232,497	208,810
Total Current Assets	<u>\$ 203,133,566</u>	<u>\$ 209,903,196</u>
Noncurrent Assets		
Investments	\$ 26,540,652	\$ 28,939,630
Mortgage Loans Receivable	710,945,504	662,372,983
Deferred Bond Issuance Costs, Net	7,758,388	7,435,350
Capital Assets, Net	55,004	80,881
Total Noncurrent Assets	<u>\$ 745,299,548</u>	<u>\$ 698,828,844</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 948,433,114</u></u>	<u><u>\$ 908,732,040</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 440,673	\$ 461,019
Due to Primary Government	21,524	25,114
Due to Other Component Unit	-	150
Due to Other Government	-	32,639
Security Lending Liability	41,971	
Property Held in Trust	-	3,255
Accrued Interest - Bonds Payable	3,519,431	3,656,257
Bonds Payable, Net	10,650,000	9,855,000
Arbitrage Rebate Payable to U.S. Treasury Department	314,204	443,233
Accrued Compensated Absences	46,500	69,004
Total Current Liabilities	<u>\$ 15,034,303</u>	<u>\$ 14,545,671</u>
Noncurrent Liabilities		
Bonds Payable, Net	\$ 794,476,577	\$ 756,724,488
Deferred Refunding Costs	(1,991,845)	(1,365,779)
Arbitrage Rebate Payable to U.S. Treasury Department	826,928	818,850
Accrued Compensated Absences	88,018	48,450
Total Noncurrent Liabilities	<u>\$ 793,399,678</u>	<u>\$ 756,226,009</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 808,433,981</u></u>	<u><u>\$ 770,771,680</u></u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net	\$ 55,004	\$ 80,880
Restricted for Bondholders:		
Unrealized (losses) gains on investments	1,606,245	4,564,519
Single Family Programs	86,521,510	85,678,849
Various Recycled Mortgage Programs	34,085,292	33,440,493
Multifamily Programs	9,838,105	8,710,759
Multifamily Project Commitments	220,867	225,441
Reverse Annuity Mortgage Program	4,825,002	2,634,845
Restricted for Affordable Revolving Loan Program	2,847,108	2,624,574
<b>TOTAL NET ASSETS</b>	<u><u>\$ 139,999,133</u></u>	<u><u>\$ 137,960,360</u></u>





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**MONTANA BOARD OF HOUSING**  
**A COMPONENT UNIT OF THE STATE OF MONTANA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	FY 2006	FY 2005
<b>OPERATING REVENUES</b>		
Interest Income - Mortgage Loans	\$ 38,553,706	\$ 37,146,816
Interest Income - Investments	9,578,702	8,061,488
Fee Income	315,600	219,119
Federal Financial Assistance	598,450	403,825
Net Increase (Decrease) in Fair Value of Investments	(2,958,275)	2,906,138
Grants and Contributions	-	117,539
Other Income	65,519	10,777
Securities Lending Gross Earnings	609	
Total Operating Revenues	<u>\$ 46,154,311</u>	<u>\$ 48,865,702</u>
<b>OPERATING EXPENSES</b>		
Interest on Bonds	\$ 37,272,424	\$ 36,298,463
Servicer Fees	2,534,834	2,376,194
Contracted Services	1,039,470	575,740
Amortization of Bond Issuance Costs	362,622	553,586
General and Administrative	1,645,907	1,552,373
Arbitrage Rebate Expense	300,379	282,233
Grants / Subcontracts		117,539
Loss on Redemption	947,732	703,237
Securities Lending Expense	609	
Total Operating Expenses	<u>\$ 44,103,978</u>	<u>\$ 42,459,365</u>
Operating Income (Loss) Before Transfers	<u>2,050,333</u>	<u>6,406,337</u>
Increase (Decrease) in Net Assets	2,050,333	6,406,337
Net Assets, Beginning of Year	137,960,360	131,554,023
Prior Period Adjustment	(11,560)	
Net Assets, End of Year	<u>\$ 139,999,133</u>	<u>\$ 137,960,360</u>

## *Disk Contents*

### **1. Homeownership Program**

- a. Bond Loans Purchased by County
- b. Homebuyer Eligibility Guidelines
- c. Homeownership Loan Activity in FY 2006
- d. Mortgage Credit Certificate Program
- e. Set-aside Disbursements in FY 2006
- f. Cumulative Set-aside Programs

### **2. Multifamily Program**

- a. Affordable Housing Revolving Loan Fund
- b. Projects Financed under Section 8 New Construction Program and Other HUD Programs for Multifamily Housing
- c. Pilot Program for Multifamily Rental Housing
- d. Risk Sharing Program for Multifamily Housing
- e. G.O. Program for Multifamily Housing
- f. Low Income Housing Tax Credit Program for 2006
- g. Elderly Assistance Program (Reverse Annuity Mortgages)
- h. Projects Financed under the Elderly Assistance Program (Reverse Annuity Mortgages)

### **3. Montana Board of Housing Financial Report – June 30, 2006**



